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**G&H**

STEEL INDUSTRIES LIMITED ANNUAL REPORT 1973







# STEEL INDUSTRIES LIMITED

## ANNUAL REPORT 1973

### FINANCIAL HIGHLIGHTS

1973

1972

Increase

#### EARNINGS

Contract revenue and sales	\$44,331,174	\$29,871,952*	\$14,459,222
Cash flow from operations	1,801,249	1,080,264	720,985
Net earnings	1,299,980	890,489*	409,491

#### VALUES PER SHARE

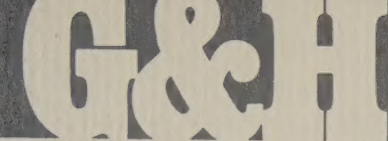
Net earnings	1.23	.94	.29
Cash flow from operations	1.70	1.14	.56
Book value	5.09	3.50	1.59

#### OTHERS

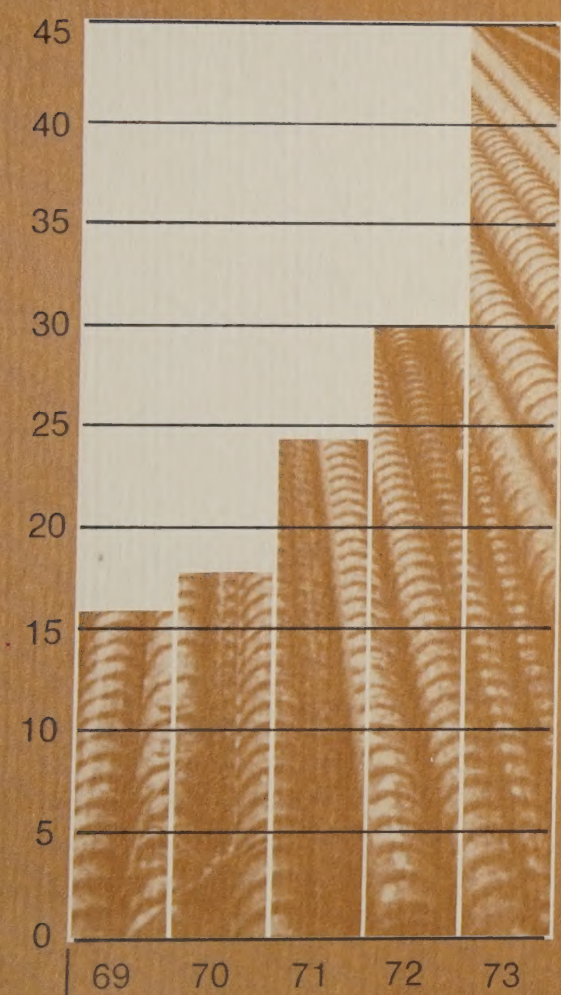
Total assets	22,121,838	14,455,916	7,665,922
Shareholders' equity	5,678,795	3,325,286	2,353,509

\*See Note 1, Principles of Consolidation, in Notes to Consolidated Financial Statements.

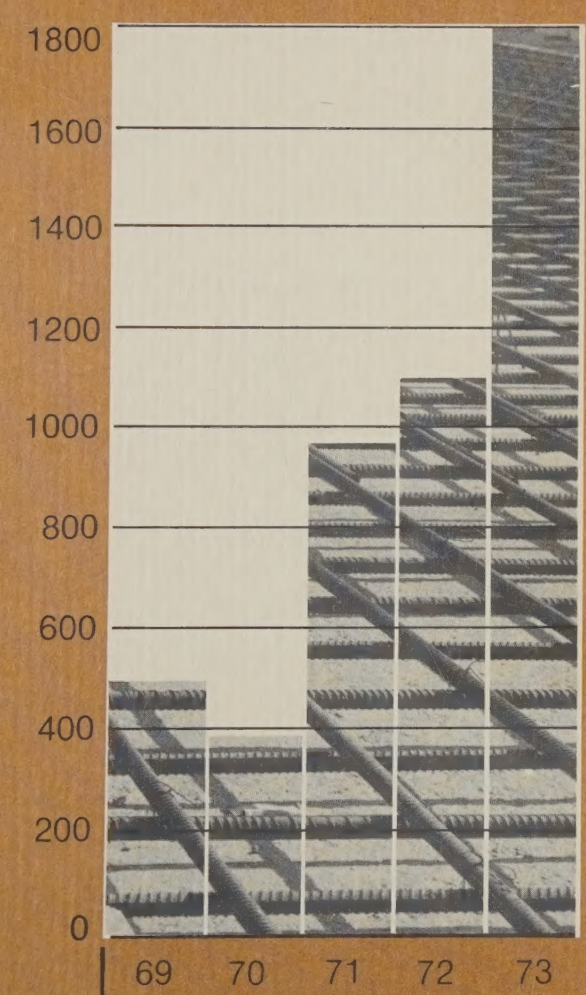




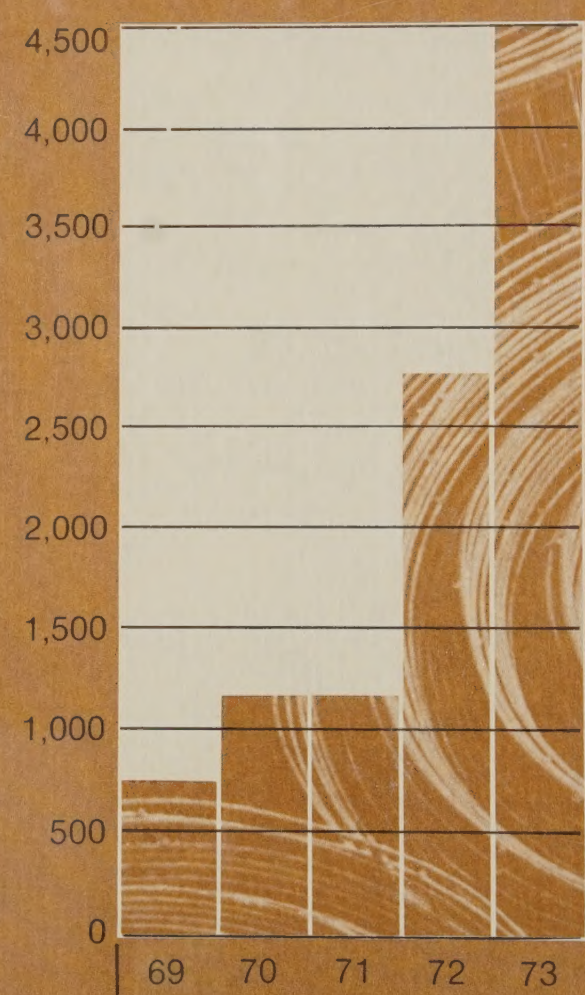
STEEL INDUSTRIES LIMITED AND SUBSIDIARY COMPANIES



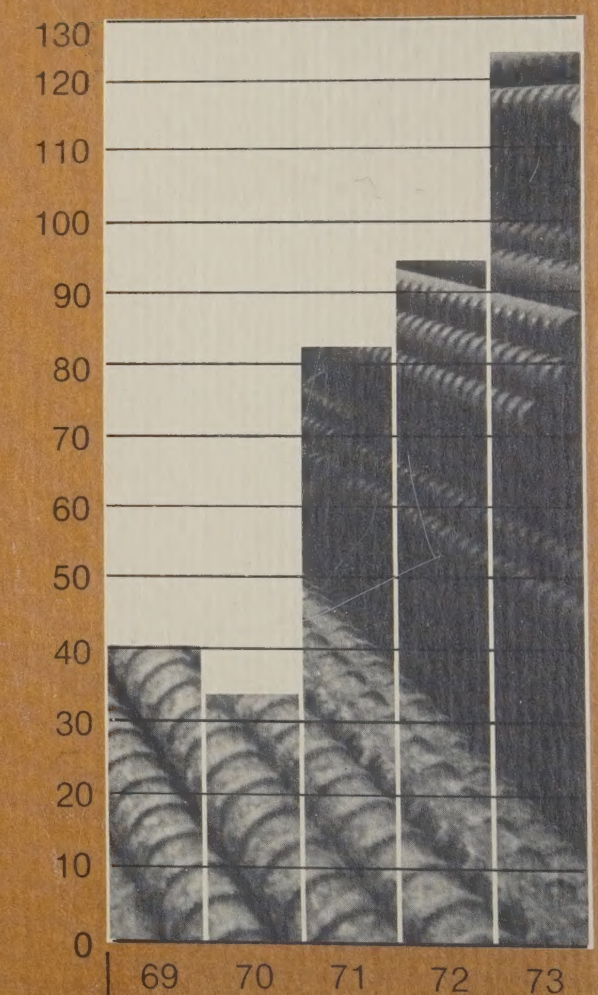
**SALES**  
Millions of Dollars



**CASH FLOW FROM OPERATIONS**  
Thousands of Dollars



**WORKING CAPITAL**  
Thousands of Dollars



**NET EARNINGS**  
Cents per Common Share



## PRESIDENT'S MESSAGE

For G&H Steel Industries Limited, 1973 was a record year in two extremely important respects.

First, the company's financial performance was the best in its history, with both sales and profits substantially increased over the previous year.

Second, the company's shares were listed for sale to the general public on both the Toronto and Montreal Stock Exchanges. The Directors and Officers of G&H Steel welcome all of the new shareholders who have made the decision to invest in the company's growth and development.

Several major factors were principally responsible for your company's substantial increases in volume and earnings during 1973.

\* The leasing arrangement under which G&H acquired the fabricating and supplying operations of Reinforcing Steel Products in December of 1972 greatly increased the company's capacity in these areas during the past year.

\* Production capacity was increased in the Lundy Steel Limited plant at Dunnville, Ontario and the G&H Steel Service Quebec Ltd. plant in Montreal, and both subsidiaries carried out aggressively expanded sales programs during the year. Our head office sales force in Toronto was also expanded.

\* The world-wide steel shortage which developed during the year occurred with greater speed and intensity than anyone in the industry had expected. During the early part of the year this caused some supply difficulties on existing contracts, but as the year progressed its principal effect was to strengthen market prices for your company's services and products.

Your company is one of the largest buyers of reinforcing steel in Canada. In recent months this has proven particularly valuable, and has helped us maintain satisfactory production

growth despite the overall shortage.

With the current expansion that is taking place at the primary supply level in Canada we feel reasonably certain of being able to obtain substantial future increases in the quantities of steel that we may require.

## THE REINFORCING STEEL MARKET

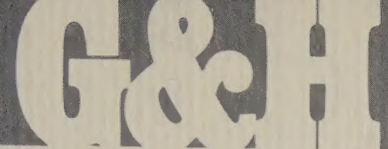
In 1974, we expect to achieve substantial gains over our performance in 1973. Indications currently are that all of the factors mentioned above should combine to make the current year, our 25th in operation, by far the greatest in your company's history.

The Toronto market is expected to remain at its present strong level. G&H is currently carrying out a number of important contracts, such as the new Royal Bank building in the city's core, and despite certain temporary political pressures to curtail development, upcoming engineering works such as the new Spadina subway line, the city's rapid rate of commercial and industrial expansion, its growing demand for new housing and its strengthening position as Canada's "headquarters city", should continue to generate a high level of potential activity for your company for the foreseeable future.

Pre-Olympic Games activity and a general recovery from the post-Expo slump are creating a booming construction market in Montreal, and our Quebec company is in a strong position to participate in a high proportion of this work. The long-term construction prospects throughout Quebec look exceptionally bright, and we expect continued significant expansion of our activities in this province.

In addition to our aggressive sales programs in these two major metropolitan areas, as well as





## STEEL INDUSTRIES LIMITED AND SUBSIDIARY COMPANIES



through our branches in Sudbury, Ottawa and Halifax, G&H will continue the practice of bidding on major engineering works in all parts of Canada which has led to our participation in a large number of these—such as the recently completed Kettle Rapids power project in northern Manitoba and the Churchill Falls project in Labrador.

While the impending energy crisis may be a source of concern for some industries, for G&H Steel it means an expanding market in which we are particularly strong. In the course of erecting the reinforcing steel for many of the electric generating projects that have been built by Ontario Hydro in recent years, as well as a number of major projects in other provinces, G&H has accumulated a depth of experience that is unequalled in this field. Your company will continue actively seeking new work in the energy production field wherever it may occur in Canada, including such massive undertakings, for example, as the James Bay Power project and the Athabaska Tar Sands development.

While industry experts are predicting that the steel market will remain strong well into the 1980's, over the long term it must not be forgotten that construction has traditionally been a cyclical industry. It is conceivable therefore that your company's performance might at some time be affected by changing industry conditions. For some time, however, your management has been taking steps to smooth out potential performance valleys in advance, such as the acquisition of the Lundy Steel manufacturing facilities to complement our more heavily labor-intensive steel placing organizations. Further, the policy of concentrating on the company's profit performance at all times will continue to be adhered to.

### THE G&H PEOPLE

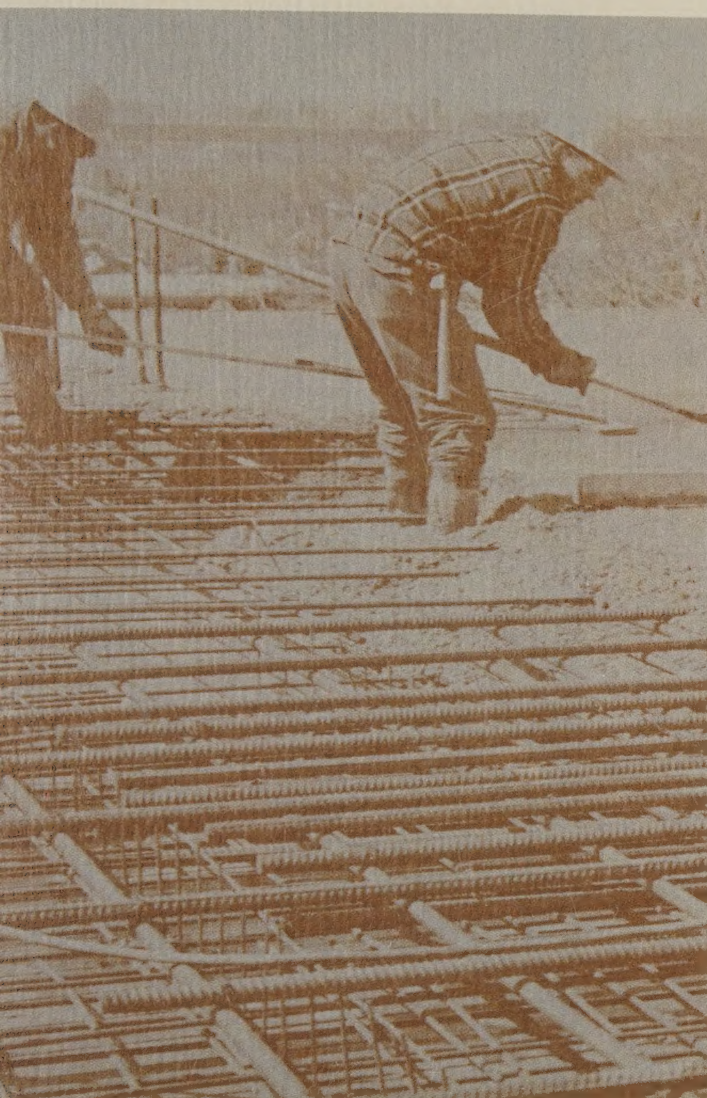
The performance capability and stature of G&H Steel in its field are directly attributable to the skills and experience of our fine staff. While these people comprise your company's single most important asset, there is no way that this can be accurately reflected in a financial statement. However, it is most important that their efforts be recognized. Therefore, on behalf of the Board of Directors and all of our shareholders, it is with considerable pleasure that I extend thanks and appreciation for their outstanding contribution during the past year.

*David L. Hadden*



## STEEL INDUSTRIES LIMITED AND SUBSIDIARY COMPANIES

## CONSOLIDATED STATEMENT OF EARNINGS DECEMBER 31, 1973



## CONTRACT REVENUE AND SALES

## COSTS AND EXPENSES

Direct costs  
Selling and administrative  
expenses  
Depreciation  
Interest on long-term debt

## EARNINGS before income taxes

Provision for income taxes  
Current  
Deferred

## EARNINGS before minority interest

MINORITY INTEREST attributable to  
preference shares of subsidiary company

## NET EARNINGS FOR THE YEAR

## EARNINGS PER SHARE (Note 7)

1973

1972

1972 Pro Forma  
(Note 1)

\$44,331,174

\$29,844,326

\$29,871,952

38,646,228

25,801,879

25,477,251

2,610,397

2,169,187

2,179,175

427,069

321,702

375,984

218,015

104,206

104,206

41,901,709

28,396,974

28,136,616

2,429,465

1,447,352

1,735,336

986,000

640,936

768,983

130,000

62,379

62,379

1,116,000

703,315

831,362

1,313,465

744,037

903,974

13,485

13,485

13,485

\$ 1,299,980

\$ 730,552

\$ 890,489

\$ 1.23

\$ .77

\$ .94

## CONSOLIDATED STATEMENT OF RETAINED EARNINGS DECEMBER 31, 1973



RETAINED EARNINGS—beginning of year  
NET EARNINGS for the year

DIVIDENDS PAID  
EXPENSES OF COMMON SHARE ISSUE

RETAINED EARNINGS—end of year

1973

1972

\$2,868,040

\$2,137,488

1,299,980

730,552

4,168,020

2,868,040

156,100

—

24,571

—

180,671

—

\$3,987,349

\$2,868,040





STEEL INDUSTRIES LIMITED AND SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEET DECEMBER 31, 1973



ASSETS

CURRENT

Cash  
Accounts receivable  
    Contracts and holdbacks  
    Other trade receivables  
Inventories (Note 2)  
Prepaid expenses and other assets

1973	1972
\$ —	\$ 65,028
8,162,148	5,902,143
2,107,194	1,375,760
7,474,731	3,815,020
169,355	82,078
<u>17,913,428</u>	<u>11,240,029</u>

ADVANCES TO AFFILIATED COMPANY

—	350,000
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DEBENTURE RECEIVABLE (Note 1)

308,459	—
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PROPERTY, PLANT AND EQUIPMENT

Land, buildings, construction and  
manufacturing equipment  
—at cost less accumulated  
depreciation of \$3,165,306  
(\$2,778,682 in 1972) (Note 3)

3,848,050	2,816,786
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OTHER ASSETS

Cash value of life insurance policies

51,901	49,101
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<u>\$22,121,838</u>	<u>\$14,455,916</u>
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On behalf of the Board

Director

Director



### AUDITORS' REPORT

To the Shareholders of  
G & H Steel Industries Limited

We have examined the consolidated balance sheet of G & H Steel Industries Limited and its subsidiaries as at December 31, 1973 and the consolidated statements of earnings, retained earnings and changes in financial position for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the companies as at December 31, 1973 and the results of their operations and the changes in their financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto,  
February 22, 1974

Campbell Sharp Nash & Field  
Chartered Accountants

### LIABILITIES

#### CURRENT

Bank advances (Note 4)  
Accounts payable and accrued liabilities  
Income taxes payable  
Current portion of long-term debt  
Deferred income taxes applicable to contract holdbacks

1973	1972
\$ 4,914,347	\$ 2,177,805
6,675,968	4,895,159
439,636	209,222
503,284	392,849
876,000	821,000
<u>13,409,235</u>	<u>8,496,035</u>

#### LONG-TERM DEBT (Note 5)

2,323,658 2,121,095

#### DEFERRED INCOME TAXES

318,000 243,800

#### INTERESTS OF MINORITY SHAREHOLDERS (Note 1)

392,150 269,700  
16,443,043 11,130,630

### SHAREHOLDERS' EQUITY

#### CAPITAL STOCK (Note 6)

Authorized  
2,000,000 Shares without par value  
Issued  
1,115,000 Shares (950,000 in 1972)

1,250,000 15,800

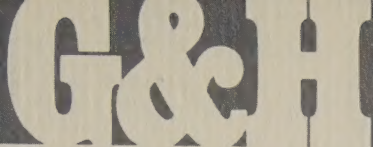
#### RETAINED EARNINGS

3,987,349 2,868,040

#### EXCESS OF NET TANGIBLE ASSETS of consolidated subsidiary over cost of investment at date of acquisition

441,446 441,446  
5,678,795 3,325,286  
\$22,121,838 \$14,455,916





STEEL INDUSTRIES LIMITED AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION DECEMBER 31, 1973



FUNDS PROVIDED BY

Operations

Net earnings for the year

Depreciation

Deferred income taxes

Loss on disposal of marketable securities

Additional long-term debt

Proceeds on disposal of marketable securities

Repayment of advance to affiliated company

Issue of common shares less expenses

FUNDS USED FOR

Acquisition of subsidiary company

Additions to fixed assets, net

Payment of dividends

Reduction of long-term debt

Increase in cash surrender value of life insurance

INCREASE IN WORKING CAPITAL

WORKING CAPITAL (DEFICIENCY) OF  
SUBSIDIARY COMPANIES at effective date  
of acquisition

WORKING CAPITAL, beginning of year

WORKING CAPITAL, end of year

1973

1972

\$1,299,980

\$ 730,552

427,069

321,702

74,200

(8,800)

—

36,810

1,801,249

1,080,264

540,000

1,275,971

—

35,190

350,000

50,000

1,209,627

—

3,900,876

2,441,425

244,900

1,165,798

1,021,371

554,923

156,100

—

694,695

392,849

2,800

—

2,119,866

2,113,570

1,781,010

327,855

(20,811)

1,401,179

1,760,199

1,729,034

2,743,994

1,014,960

\$4,504,193

\$2,743,994



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 1973

## 1. PRINCIPLES OF CONSOLIDATION

G & H Steel Industries Limited (formerly G & H Steel Service of Canada, Ltd.) is incorporated under the laws of Canada.

The consolidated financial statements include the accounts of the company and all of its subsidiaries.

Effective December 1973, G & H Steel Industries Limited acquired a two-thirds interest in BBR Canada Limited for a consideration of \$244,900. The company's assets consist substantially of real estate holdings and a debenture receivable. For accounting purposes the acquisition has been treated as a purchase. The fair value of net tangible assets acquired aggregated \$367,350 of which \$122,450 is attributable to minority interest.

In January 1973, the company acquired the assets of the detailing and equipment rental divisions, which it previously leased from Rebars Limited for an aggregate cash consideration of \$130,000. The comparative amounts in the statement of earnings have been expanded on a pro forma basis to reflect the additional revenue and cost reductions which would have been realized if these assets had been owned by the company throughout 1972.

## 2. INVENTORIES

Inventories are valued at the lower of cost and net realizable value and include the following:

	<u>1973</u>	<u>1972</u>
Finished stock	\$1,465,485	\$ 722,841
Raw materials	5,627,937	2,719,986
Unbilled work-in-process	287,251	307,650
Other	94,058	64,543
	<u>\$7,474,731</u>	<u>\$3,815,020</u>

## 3. PROPERTY, PLANT AND EQUIPMENT

	<u>1973</u>	<u>1972</u>
Buildings	\$2,249,058	\$1,958,341
Construction and manufacturing equipment	3,186,000	2,702,869



## STEEL INDUSTRIES LIMITED AND SUBSIDIARY COMPANIES

Office equipment	224,281	166,120
Automotive equipment	811,029	447,520
	<u>6,470,368</u>	<u>5,274,850</u>
Less: Accumulated depreciation	3,165,306	2,778,682
	<u>3,305,062</u>	<u>2,496,168</u>
Land	542,988	320,618
	<u>\$3,848,050</u>	<u>\$2,816,786</u>

Fixed assets are carried at cost, less a forgivable demand loan of \$188,883 from the Ontario Development Corporation granted to acquire certain assets. The loan is interest free and forgivable at the rate of 10% per year in the years 1971 to 1975 inclusive with the balance forgivable in the year 1976 provided the company meets certain prescribed conditions. The remaining contingent liability as at December 31, 1973 was \$132,219.

## 4. BANK ADVANCES

To secure the bank loans the company and its subsidiaries have assigned their receivables and inventories and in addition the companies have given a debenture secured by a floating charge on all their other assets and property.

## 5. LONG-TERM DEBT

	<u>1973</u>	<u>1972</u>
MORTGAGES PAYABLE at interest rates varying from 6¾% to 8%	<u>\$ 600,626</u>	<u>\$ 567,469</u>
NOTES PAYABLE		
Note payable, non-interest bearing	26,316	39,475
Notes payable, with interest at prime bank rates plus ¼%	315,000	—
Loan payable to minority shareholder with interest at 6%	<u>100,000</u>	<u>—</u>
	<u>441,316</u>	<u>39,475</u>



## STEEL INDUSTRIES LIMITED AND SUBSIDIARY COMPANIES

TERM BANK LOANS at prime bank rates plus 2% (Note 4)	1,785,000	1,907,000
	<u>2,826,942</u>	<u>2,513,944</u>
Less: Amounts due within one year included in current liabilities	503,284	392,849
	<u>\$2,323,658</u>	<u>\$2,121,095</u>

The long-term debt is repayable approximately as follows:

	Mortgages	Notes	Term Bank Loans	Total
1974	\$ 43,126	\$ 138,158	\$ 322,000	\$ 503,284
1975	43,406	113,158	322,000	478,564
1976	368,605	90,000	322,000	780,605
1977	117,840	—	322,000	439,840
1978	11,308	—	297,000	308,308
Subsequent to 1978	16,341	100,000	200,000	316,341
	<u>\$ 600,626</u>	<u>\$ 441,316</u>	<u>\$1,785,000</u>	<u>\$2,826,942</u>

## 6. CAPITAL STOCK

By supplementary letters patent dated March 27, 1973 each of the authorized and issued shares of the company was subdivided into five hundred common shares and the authorized capital was increased by 750,000 shares to 2,000,000 shares without par value. The company was also converted from a private to a public company.

Subsequently during the year 165,000 shares were issued for a cash consideration of \$1,234,200.

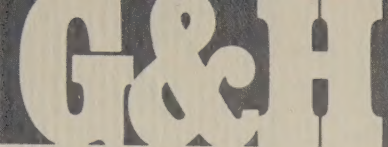
## 7. EARNINGS PER SHARE

Earnings per share are based on the weighted average number of shares outstanding during each year (1,060,000 in 1973 and 950,000 in 1972).

## 8. STATUTORY INFORMATION

Directors' and officers' remunerations—	1973		1972	
	Number	Remuneration as such	Number	Remuneration as such
Directors	5	\$ —	3	\$ —
Officers	4	183,200	4	160,000
Number of officers who are directors	3	—	3	—





## STEEL INDUSTRIES LIMITED AND SUBSIDIARY COMPANIES

### FIVE YEAR REVIEW

(in thousands of dollars except for per share data)

	1973	1972	1971	1970	1969
OPERATING RESULTS					
Contract revenue and sales*	\$ 44,331	\$ 29,872	\$ 23,107	\$ 17,568	\$ 15,771
Income taxes*	1,116	831	804	315	390
Net earnings*	1,300	891	775	312	378
Depreciation*	427	376	232	218	171
Funds provided from operations	1,801	1,080	946	385	479
FINANCIAL POSITION					
Working capital	\$ 4,504	\$ 2,744	\$ 1,015	\$ 1,018	\$ 669
Capital expenditures	1,021	555	293	212	659
Acquisition of subsidiaries	245	1,166	—	—	—
Fixed assets, net	3,848	2,817	1,527	1,421	1,381
Long-term debt	2,324	2,121	757	1,010	670
Shareholders' equity	5,679	3,325	2,153	1,772	1,546
SHAREHOLDERS' INFORMATION					
Per share	\$	\$	\$	\$	\$
Net earnings*	1.23	.94	.82	.33	.40
Cash flow	1.70	1.14	1.00	.41	.50
Average shares outstanding	1,060,000	950,000	950,000	950,000	950,000

\*See Note 1, Principles of Consolidation, in Notes to Consolidated Financial Statements.



#### OFFICERS

David Lyall Hadden  
President

Paul Jay Raffensperger  
Vice-President—Operations

Walter William Guminny  
Secretary-Treasurer and  
Vice-President—Finance

Harold McGregor Curry  
Vice-President

#### DIRECTORS

William Maxwell Bateman  
President,  
Lake Ontario Cement, Ltd.

Harold McGregor Curry

Walter William Guminny

David Lyall Hadden

Bernard William Matte  
Investment Dealer,  
Greenshields Incorporated

Paul Jay Raffensperger

#### BANKERS

Bank of Montreal,  
1350 Ellesmere Road,  
Scarborough, Ontario.

#### TRANSFER AGENT

National Trust Company,  
21 King Street East,  
Toronto, Ontario.

#### AUDITORS

Campbell, Sharp, Nash & Field,  
401 Bay Street, Toronto, Ontario.

#### HEAD OFFICE

315 Nantucket Blvd.,  
Scarborough, Ontario M1P 2P2



